

RECEIVED
LOUISIANA AUDITOR

02 JAN 27 AM 10:21

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2
Financial Statements and Independent Auditor's Report
As of and for the Year Ended December 31, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Louisiana Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/31/02

Anthony B. Baglio, C.P.A., A.P.A.C.
Certified Public Accountants

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2
As of and for the Year Ended December 31, 2001
TABLE OF CONTENTS

	Page No.
Independent auditor's report	01
Financial Statements	
Statement of financial position.....	03
Statement of activities.....	05
Statement of cash flows.....	07
Notes to financial statements.....	08
Compliance and Internal Control Report	
Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	13
Audit Findings	
Summary schedule of prior year audit findings.....	15
Corrective action plan for current year audit findings.....	16
Management Letter	17

ANTHONY B. BAGLIO, CPA
A PROFESSIONAL ACCOUNTING CORPORATION
2011 Rue Simone
Hammond, Louisiana 70403
(985) 542-4155

INDEPENDENT AUDITOR'S REPORT

The Honorable Frank B. Gerarve, Fire Chief
and Members of the Board of Directors
Natalbany Volunteer Fire Department, Inc.
Natalbany, Louisiana

I have audited the accompanying statement of financial position of Natalbany Volunteer Fire Department, Inc. (Natalbany) (a non-profit organization) as of December 31, 2001, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.


I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The financial statements referred to above include only the funds appropriated by Tangipahoa to Natalbany, plus certain other transactions. The statements are intended to allow Tangipahoa to monitor the use and application of appropriated funds and should not be used for any other purpose.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position resulting from appropriations and certain other transactions of Natalbany as of December 31, 2001, and the changes in its net assets and its cash flows arising from appropriations and certain other transactions for the year then ended in conformity with general accepted accounting principles.

The Honorable Frank B. Gerarve, Fire Chief
and Members of the Board of Directors
Natalbany Volunteer Fire Department, Inc.
Independent Auditor's Report
June 10, 2002
Page 2

In accordance with *Governmental Auditing Standards*, I have also issued a report dated June 10, 2002, on my consideration of Natalbany's internal control structure over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.


Hammond, Louisiana
June 10, 2002

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2
Statement of Financial Position
Arising from Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2001

ASSETS:

Current assets

Cash and cash equivalents	\$ 120,614
Receivable -- parish allocation	38,502
Prepaid insurance	4,171

Total current assets	<u>163,287</u>
----------------------	----------------

Other assets

Security deposit	1,204
------------------	-------

Total other assets	<u>1,204</u>
--------------------	--------------

TOTAL ASSETS	<u>\$ 164,491</u>
---------------------	--------------------------

See accompanying notes to financial statements.

**NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2**

Statement of Financial Position

Arising from Appropriations and Certain Other Transactions

As of and for the Year Ended December 31, 2001

LIABILITIES & NET ASSETS:

Current liabilities

Accounts payable	\$ 3,778
Accrued salaries & related benefits	6,942
Payroll taxes payable	1,075
Current portion long-term debt	12,375

Total current liabilities	<u>24,170</u>
---------------------------	---------------

Net assets

Temporarily restricted	140,321
------------------------	---------

Total net assets	<u>140,321</u>
------------------	----------------

TOTAL LIABILITIES & NET ASSETS	<u>\$ 164,491</u>
---	--------------------------

See accompanying notes to financial statements.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2

Statement of Activities

Arising from Appropriations and Certain Other Transactions

Year Ended December 31, 2001

**SUPPORT AND
REVENUE**

Parish allocation	\$ 227,456
2% Fire rebate	15,373
Parish council	
Revenue sharing	51,029
State rev. sharing- payback	9,570
Equipment grant	19,999
Miscellaneous income	30
Interest	1,181
Supplemental pay income	8,100
	<hr/>
Total support and revenue	332,738

EXPENSES

Program expenses	
Capital expenditures	36,162
Capital exp. – bldg. #2	800
Dues and subscriptions	932
Employee benefits	2,431
Gas and oil	4,599
Insurance – liability	20,945
Interest	818
Mandated expenses – P.I.A.L.	167
Meals	145
Office supplies	1,700
Outside services	50
Payroll taxes	9,256
Postage and freight	508
Professional fees	5,942
Rent	100
Repairs – trucks	15,729

See accompanying notes to financial statements.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2

Statement of Activities

Arising from Appropriations and Certain Other Transactions

Year Ended December 31, 2001

Repairs and maintenance	
radio equipment	1,295
Rescue equipment & repairs	1,097
Yard care	325
Salaries & wages	120,993
Salaries – supplemental pay	8,100
Supplies – station	1,407
Supplies – EMS/fire prevention	633
Taxes and licenses	108
Telephone	3,739
Training	1,864
Turn out gear	1,849
Uniforms	1,438
Utilities	5,378
Total expenses	<u>248,510</u>
Increase in temporarily restricted net assets	84,228
Net assets at beginning of year	56,093
Net assets at end of year	<u>\$ 140,321</u> =====

See accompanying notes to financial statements.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAOA PARISH FIRE PROTECTION DISTRICT NO. 2

Statement of Cash Flows
Arising from Appropriations and Certain Other Transactions
Year Ended December 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 84,228
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
(Increase) decrease in operating assets	
Receivables	(3,446)
Prepaid insurance	(2,429)
Increase (decrease) in operating liabilities	
Accounts payable	677
Accrued salaries	(801)
Accrued payroll taxes payable	(1,093)
Security deposits payable	(400)

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>76,736</u>
---	---------------

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of long-term debt	(6,310)
-----------------------------	---------

NET CASH USED IN FINANCING ACTIVITIES	<u>(6,310)</u>
---------------------------------------	----------------

NET INCREASE IN CASH AND CASH EQUIVALENTS	70,426
--	--------

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	50,188
--	--------

CASH AND CASH EQUIVALENTS, END OF YEAR	<u>120,614</u>
--	----------------

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for interest	\$ 818
--	--------

See accompanying notes to financial statements.

**NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2**

Notes to Financial Statements
As of and for the Year Ended December 31, 2001

1-NATURE OF ACTIVITIES & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Natalbany Volunteer Fire Department, Inc. (Natalbany) and nine other fire departments comprise Tangipahoa Parish Fire Protection District No. 2 (Tangipahoa). Tangipahoa receives ad valorem taxes, state revenue sharing, and 2 percent fire insurance rebated monies and appropriates these monies, along with interest earnings, to the ten individual fire departments in accordance with an annual agreement. The primary responsibility of each fire department is the prevention and termination of fires which pose a threat to life or property within its areas of responsibility. The secondary responsibility is to respond to any and all calls for assistance from any of the other fire departments in Fire Protection District No. 2. In recent years with the formation of the 911 system in the parish, the responsibility of the fire department now includes handling certain 911 calls.

The annual agreement provides that the appropriation of revenue from Tangipahoa be based upon the square miles served by the individual fire departments, the population within the area served, and the number of fire calls received in a given period. The agreement also requires that the individual fire departments disburse the appropriations exclusively for the purposes of operating, maintaining, and/or purchasing equipment and supplies for their fire department, and for approved salaries. The agreement additionally requires the individual fire departments to present quarterly statements of funds received and expended.

The accompanying financial statements present only the financial activities of Natalbany ensuing from appropriations of Tangipahoa, and certain other revenues. The financial statements are not intended to and do not present the financial position and results of operations in conformity with generally accepted accounting principles.

B. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 177, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2

Notes to Financial Statements (Continued)
As of and for the Year Ended December 31, 2001

C. Contributions

Natalbany has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

D. Income Taxes

Natalbany is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Natalbany is classified by the Internal Revenue Service as other than a private foundation.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, Natalbany considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates market, and are insured through the Federal Deposit Insurance Corporation (FDIC).

F. Property and Equipment

It is Natalbany's policy to expense all assets purchased with appropriations from Tangipahoa, because they are owned by Tangipahoa as stated in the contract between Tangipahoa and the ten individual fire departments. Fixed assets are expensed at the time of purchase. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Natalbany reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Natalbany reclassifies temporarily restricted net assets to unrestricted net assets at that time.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2**

Notes to Financial Statements (Continued)
As of and for the Year Ended December 31, 2001

2 – CASH AND CASH EQUIVALENTS

At December 31, 2001, Natalbany had cash and cash equivalents totaling \$ 120,614 as follows:

Operation account	\$ 104,854
Truck & equipment	9,997
New building & truck	<u>5,763</u>
Total	<u>\$ 120,614</u>

For purposes of the statement of cash flows, Natalbany considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

3 – RETIREMENT SYSTEM

Employees of Natalbany Volunteer Fire Department, Inc. (Natalbany) participate in the Social Security System. Natalbany uses appropriations from Tangipahoa to provide the employer matching portions of the social security contribution. Neither Natalbany nor Tangipahoa has any liability for employee pension benefits. Full time employees, excluding the Chief, are also participating in a retirement program purchased through a life insurance company. Natalbany pays the monthly premiums on the retirement policy. However, neither Natalbany nor Tangipahoa have any liability for pension benefits paid upon retirement. Total retirement expense for the year ended December 31, 2001, was \$2,340.

4 – VACATION AND SICK LEAVE

Depending on their length of service, full-time employees of Natalbany Volunteer Fire Department, Inc. earn seven to fourteen days of vacation leave each year. Unused vacation leave expires at the end of each year. Sick leave is granted by the board on an individual basis.

5 – LONG-TERM OBLIGATIONS

Natalbany Volunteer Fire Department, Inc. (Natalbany) obtained a loan through the Community Facilities Loans Program from the Farmers Home Administration, United States Department of Agriculture, totaling \$90,000. on October 22, 1982. The loan is payable in two hundred thirty nine consecutive monthly installments of \$594 at an interest rate of 5%. The loan is collateralized by a chattel mortgage dated June 16, 1983 on one 1983 F-702 Ford fire truck and its related equipment. Natalbany has also pledged and assigned all of its income of whatever nature and/or source to the faithful payment and security for the payment of the mortgage. The loan was sold to GMAC Commercial Mortgage Corporation. At December 31, 2001, the balance of this loan was \$12,375. Total interest expense for the year ended December 31, 2001, was \$818. This loan was paid on January 11, 2002.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2

Notes to Financial Statements (Continued)
As of and for the Year Ended December 31, 2001

6 – LEASES

Natalbany is subleasing the land on which the first fire station is located from Tangipahoa, a related party. Tangipahoa has the lease with a corporation for 25 years with an option to renew for an additional 25 years for \$50 per year. The lease began on April 01, 1981. All terms of Tangipahoa's lease with the corporation are binding on Natalbany. The lease requires Natalbany to pay property taxes on the property. The property reverts to the corporation at the expiration of the lease. The rental expense for the current year is \$50.

The future minimum lease payments are as follows:

2002	\$ 50
2003	50
2004-2006	<u>100</u>
	<u>\$ 200</u>

In a separate lease agreement, Natalbany is subleasing from Tangipahoa, a related party, land on which a second fire station was erected. Tangipahoa has the lease with an individual for 50 years with an option to renew for an additional 50 years for \$50. per year. The lease began on June 24, 1992. All terms of Tangipahoa's lease with the individual are binding on Natalbany. The lease requires Natalbany to pay property taxes on the property. The property reverts to the individual at the expiration of the lease. The first rent payment was due June 24, 1993. The rental expense for the current year is \$50.

The future minimum lease payments are as follows:

2002	\$ 50
2003	50
2004-2044	1,950

	\$2,050
	=====

7 – DONATED MATERIALS AND SERVICES

Natalbany Volunteer Fire Department, Inc. (Natalbany) records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt.

No amounts have been reflected in the statements for donated services since the information was not available. Nevertheless, a substantial number of volunteers donated significant amounts of their time in Natalbany's program services.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2

Notes to Financial Statements (Continued)

As of and for the Year Ended December 31, 2001

8 – ON BEHALF PAYMENTS MADE BY STATE OF LOUISIANA

For the year ended December 31, 2001, the State of Louisiana made on behalf payments in the form of supplemental pay to employees of the fire department. In accordance with GASB 24, Natalbany has recorded \$8,100 for the year ended December 31, 2001, of on behalf payments as revenue and as expenditures.

9 – SUBSEQUENT EVENTS

On February 7, 2002, Natalbany purchased a new commercial pumper fire truck for \$ 144,933. In doing this, Natalbany entered into a loan agreement with Hancock Bank for \$ 125,000 of which \$ 18,000 is interest free. The loan carries an interest rate of 4% with payments as follows:

December 2003	\$	30,000
December 2004		31,000
December 2005		32,000
December 2006		<u>32,000</u>
Total		<u>125,000</u>

10 – COMPLIANCE WITH LAWS

Natalbany did not comply with the Asset Management Law or the Security of Deposits Law.

**Report on Compliance and on Internal Control over Financial Reporting
As of and for the Year Ended December 31, 2001**

ANTHONY B. BAGLIO, CPA
A PROFESSIONAL ACCOUNTING CORPORATION
2011 Rue Simone
Hammond, Louisiana 70403
(985) 542-4155

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

The Honorable Frank B. Gerarve, Fire Chief
and Members of the Board of Directors
Natalbany Volunteer Fire Department, Inc.
Natalbany, Louisiana

I have audited the financial statements of Natalbany Volunteer Fire Department, Inc. (Natalbany) (a non-profit organization) as of and for the year ended December 31, 2001, and have issued my report thereon dated June 10, 2002. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Natalbany Volunteer Fire Department, Inc. financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of current year audit findings as items 01-2, and 01-3.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Natalbany's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or

The Honorable Frank B. Gerarve, Fire Chief
and Members of the Board of Directors
Natalbany Volunteer Fire Department, Inc.
Internal Control over Financial Reporting
June 10, 2002
Page 2

operation of the internal control over financial reporting that, in my judgement, could adversely affect Natalbany's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of current year audit findings as item 01-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described above is not a material weakness. I also noted one other matter involving the internal control over financial reporting that I have reported to the management of Natalbany, in a separate letter dated June 10, 2002.

This report is intended solely for the information and use of the audit committee, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Hammond, Louisiana
June 10, 2002

**NATALBANY VOLUNTEER FIRE DEPARTMENT, INC
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2**

Summary Schedule of Prior Year Audit Findings
As of and for the Year Ended December 31, 2001

<u>Ref. No.</u>	<u>Fiscal Year</u> <u>Finding</u> <u>Initially</u> <u>Occurred</u>	<u>Description of</u> <u>Finding</u>	<u>Corrective</u> <u>Action Taken</u> <u>(Yes, No,</u> <u>Partially)</u>	<u>Corrective Action Planned</u>
-----------------	---	---	---	----------------------------------

Section I - Compliance and Internal Control Material to the Financial Statements

No prior year audit findings

Section II - Management Letter

1	Dec-97	Inadequate Internal Control	No	Cannot be accomplished since there is only one person in office
2	Dec-97	Deposits are not being made in a timely fashion	Resolved	N/A
3	Dec-00	Records of minutes for June- October were not available	No	All minutes were available for current audit

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
TANGIPAHOA PARISH FIRE PROTECTION DISTRICT NO. 2
 Corrective Action Plan for Current Year Audit Findings
 As of and for the Year Ended December 31, 2001

Ref. No	Description of Finding	Corrective Action Planned	Contact Person	Anticipated Completion Date
Section 1-Internal Control and Compliance Material to the Financial Statements:				
INTERNAL CONTROL				
01-1	Controls were not in effect to monitor bank balances to insure they did not exceed FDIC insurance limits.	Controls have now been established to insure the bank balances will not exceed the FDIC limits.	Charles Schlicher	Dec-02
COMPLIANCE				
01-2	Assets Management Law-LSA-R.S.24:515(1) Natalbany is required to maintain a list of all property owned. The list should identify the property by serial numbers (if applicable) showing the cost or estimated cost of the property. They don't have an adequate list.	Natalbany is working with the Tangipahoa Parish Council in completing the list of property.	Charles Schlicher	Dec-02
01-3	Security of Deposits Law-LSA-R.S.39:1218-19. All amounts deposited in bank accounts must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. My tests disclosed that Natalbany's deposits were undercollateralized by \$ 26,355. Only FDIC coverage of \$ 100,000 was available to secure its deposits, as no securities were pledged as additional collateral.	Controls are now in place to compare the cash in bank with the insurance limits. Also, management is attempting to get bank to pledge securities to back their cash balance if they exceed the insurance limits.	Charles Schlicher	Dec-02

Management Letter

As of and for the Year Ended December 31, 2001

ANTHONY B. BAGLIO, CPA
A PROFESSIONAL ACCOUNTING CORPORATION
2011 Rue Simone
Hammond, Louisiana 70403
(985)542-4155

MANAGEMENT LETTER

The Honorable Frank B. Gerarve, Fire Chief
and Members of the Board of Directors
Natalbany Volunteer Fire Department, Inc.
Natalbany, Louisiana

Gentlemen:

In planning and performing my audit of the financial statements of the Natalbany Volunteer Fire Department, Inc for the year ended December 31, 2001, I considered the Natalbany Volunteer Fire Department's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters, involving the internal control structure and other operational matters that are presented for your consideration. I previously reported on the Natalbany Volunteer Fire Department's internal control structure in my report dated June 10, 2002. This letter does not affect my report dated June 10, 2002, on the financial statements of Natalbany Volunteer Fire Department, Inc.

I will review the status of these comments during my next audit engagement. My comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

The Honorable Frank B. Gerarve, Fire Chief
and Members of the Board of Directors
Management Letter
June 10, 2002
Page 2

FINDING NO. 01-4

INADEQUATE INTERNAL CONTROL

It was noted that there was inadequate internal control and other features normally present in an effective internal control system. Since the Natalbany Volunteer Fire Department is such a small organization, one person holds the majority of the responsibilities. However, the organization doesn't receive enough monies to correct this.

RECOMMENDATION

It would not be cost beneficial for Natalbany to employ such controls, but more active participation by the board in reviewing financial accounting matters would be helpful.

MANAGEMENT RESPONSE

The board will take a more active part in the financial accounting matters.

I would like to thank you for the helpful cooperation I received during my audit.

This report is intended for the information of management and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Anthony B. Baglio, CPA, APAC
Hammond, Louisiana
June 10, 2002